

PDTA P1079

Close Out Report

December 1995

Capital Development Initiative Component:
American Business and Private Sector Initiative for Eastern Europe Project
Project Number 180-0028

Telecommunications Business Development Services

Contract Number EUR-0028-C-00-2051-00

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Prepared for: EUR/DR/EI

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1.0 INTRODUCTION

1.1 Support for Eastern European Democracies Act

The Support for Eastern European Democracies (SEED) Act of 1989 assigned the U.S. Agency for International Development (USAID) wide ranging responsibilities for assigning the emerging democracies of Central and Eastern Europe (CEE). The Act, in addition to providing the authority to set up enterprise funds in CEE countries, included an initiative for increasing the participation of U.S. businesses in the emerging economies. This initiative supported U.S. investment in CEE and encouraged the participation of U.S. firms in modernizing the infrastructure of the region.

1.2 American Business and Private Sector Development Initiative

Assistance to U.S. commercial interests in CEE was provided for in the SEED Act through the American Business and Private Sector Development Initiative (ABI). The ABI assigned each of several U.S. Government agencies a role in promoting private sector development in CEE countries providing support to U.S. trade and investment interests. The Department of Commerce (DOC), the Overseas Private Investment Corporation (OPIC), the Trade and Development Agency (TDA) and USAID were each responsible for implementing a specific aspect of the ABI. Funding for all ABI activities was included in the USAID appropriation and then made available to the participating agencies through interagency agreements. The DOC administered three ABI projects; one which supported U.S. trade associations in developing comparable industrial groups in CEE; a second which provided support services and temporary office space in a business center in Warsaw; and a third which published and distributed information on business opportunities in CEE to the U.S. business community. Department of Commerce activities related to the ABI were carried out in coordination with the activities of the Foreign Commercial Service (FCS) Officers assigned by DOC to each country in the region. The OPIC provided cost-sharing grants of up to \$150,000 under the ABI to U.S. firms to defray the costs of feasibility studies of investment opportunities. A comparable program was carried out by the TDA to help U.S. firms defray the cost of investigating opportunities in CEE that had significant export potential.

1.3 Capital Development Initiative

The Capital Development Initiative (CDI) was the component of the ABI carried out by USAID. The CDI was unique among the ABI activities in that it provided assistance for infrastructure projects in the energy, environment and telecommunications sectors only. Consistent with the mission of USAID, the CDI primarily supported investment opportunities that had significant developmental impact. This support was consistent with the goals of USAID supporting modernization of power and telecommunications systems and arresting the effects of pollution and widespread environmental damage. Assistance to U.S. firms was intended to leverage the time and money applied to development activities.

Through CDI, technical assistance was available to U.S. firms and their potential local partners to help them develop project opportunities. Prior to being closed in August 1993, the Development Cost Support (DCS) Fund (set up as part of the CDI) provided grants covering up to 50% of the costs incurred by an investor in investigating an opportunity in one of the three targeted sectors.

The activities of the CDI were carried out in close coordination with those of other ABI participants, particularly the DOC. Two publications of the Eastern Europe Business Information Center (EEBIC), *Eastern Europe Bulletin* and *Eastern Europe Looks for Partners*, were used to publicize the CDI and to advertise specific investment opportunities. The FCS Officers assigned to each U.S. embassy in the CEE countries generally were also involved in CDI activities. A "hot line" was maintained during the period the DCS Fund was operating and many inquiries were referred to the appropriate program at OPIC or TDA if the proposed activity did not meet the CDI criteria.

1.3.1 Sources of Assistance

The CDI was carried out by four firms selected competitively to provide financial and technical services at no cost to U.S. businesses and potential local partners exploring opportunities in the CEE countries. Each firm had responsibility for a specific sub-component of the CDI. The firms and their sub-component were:

- | | |
|-------------------------------|--------------------|
| • Booz-Allen & Hamilton | Telecommunications |
| • Coopers & Lybrand | Finance |
| • ICF Resources | Energy |
| • Sanders International, Inc. | Environment |

Management and oversight for each sub-component of the CDI was provided by separate USAID Technical Project Officers (TPOs). Under the original project design and during the period the DCS Fund was in operation, the TPO for the financial sector sub-component was responsible for coordinating the activities of all four sub-components. With the closing of the DCS Fund the activities of each sub-component were subsumed under the appropriate sector portfolio and were managed separately by TPOs in USAID/Washington.

Each contractor approached program implementation differently, but all were performing essentially the same services. When the DCS Fund was active, the contractors devoted the major portion of their efforts to identifying and publicizing investment opportunities of possible interest to U.S. firms. One service of particular importance provided under CDI involved the contractors in advising U.S. firms on technical, policy and institutional issues during the pre-investment stage. As an extension of this service, the contractors prepared studies and briefed personnel in the Offices of the AID Representative (OARs) in CEE countries on various policy, regulatory and institutional issues affecting investment for the use of the OAR in discussions with government officials.

1.3.2 Implementation

Meeting the original goals of the CDI required carrying out two diverse but closely related sets of activities. The CDI activities carried out in the CEE countries were important to improving local firms' abilities to operate successfully in market driven economies and, during the operation of the DCS Fund, were important to identifying investment opportunities and bringing negotiations with investors to a successful conclusion.

The interaction of the technical contractors and other ABI participants was an important element of the delivery and success of the assistance provided by the CDI. The number of contractors involved in carrying out the CDI was one of the unique aspects of the Initiative and USAID's effectiveness in managing the activities of the four contractors contributed significantly to the success of the CDI.

2.0 CDI TELECOMMUNICATIONS TECHNICAL ASSISTANCE

2.1 Purpose of CDI Telecommunications Technical Assistance

The objective of the technical assistance component of the CDI Telecommunications Project was to focus on the creation of an enabling policy, institutional and regulatory environment conducive to private sector development and investment. Booz•Allen & Hamilton and its subcontractor, Teleconsult, Inc. fulfilled this objective by identifying, describing, analyzing and assessing telecommunications Project Opportunities (POs) in Central and Eastern Europe (CEE) through ongoing contacts with host country public and private sector organizations, U.S. and regional public and private sector entities, financing institutions and their contractors, and others. Technical assistance provided by the CDI Telecommunications Project was available at no cost to indigenous enterprises. The term "telecommunications" included the full range of modern telecommunications technologies such as data communications and computer networks. Technical assistance focused on five Selected Developmental Subsectors (SDSs):

- Rural Telecommunications Development
- Data Communications
- User Information Systems
- Wireless Systems
- Independent Radio/TV Broadcasting.

In addition, technical assistance was provided to U.S. firms by assisting them in other pre-investment activities. Through outreach efforts in the U.S., Booz•Allen & Hamilton discussed the CDI telecommunications Project with 250 American firms and developed a mailing list of 100 firms interested in POs in the region. Technical assistance was also provided through the Policy Intervention Program, described in Section 2.1.3 below.

2.1.1 Home Office Support

Home Office personnel handled inquiries, promoted the CDI within their professional networks and served as brokers and referral agents to bring potential investments and joint venture partners in CEE to the attention of U.S. investors. When the DCS Fund was operating, Booz•Allen and Teleconsult personnel were also responsible for assessing the technical merits of projects for which applicants to the Fund were seeking grants to support their pre-investment activities. Home Office staff were led by a Project Administrator (PA) and a Policy Intervention Manager (PIM), as well as short-term technical staff assigned throughout the contract for short-term technical assignments. Specific activities performed by Home Office personnel included:

- Planning, organizing and conducting numerous Policy Interventions for delegations of senior officials from CEE countries.

- Researching and analyzing materials for inclusion into the Country Telecommunications Sector (CTS) Data Base.
- Identifying telecommunications conferences and expositions that may be included in future Policy Interventions.
- Maintaining liaison with Eastern European public and private sector entities, U.S. Government foreign assistance agencies, multilateral donors (i.e., World Bank, TDA, EBRD, etc.), and other parties involved with CEE telecommunications affairs.

Home Office staff also provided assistance to U.S. firms seeking to set up joint ventures in the region.

2.1.2 Warsaw Project Office Activities

Warsaw, Poland was designated by USAID as the regional center for CDI Telecommunications Project activities. The Warsaw Project Office was managed by the Project Manager/Chief of Party (PM/COP), a Teleconsult employee. The PM/COP was supported by full- and part-time local Polish technical, administrative and management personnel, as well as other CEE - based technical experts as needed. The CDI Project Office worked closely with U.S. and local firms on prospective projects that fell within one of the five SDSs. Other activities performed by the Warsaw Project Office included:

- Identifying, describing, analyzing and assessing telecommunications POs through ongoing contacts with host country public and private sector organizations, U.S. and regional public and private sector entities, financing institutions and their contractors.
- Developing a Developmental Investment Opportunity (DIO) Data Base of those POs most likely to promote sectoral policy reform.
- Developing and disseminating a CTS Data Base for Poland describing the country's national telecommunications system; relationships of telecommunications organizations; financial data for telecommunications operators; past, current and planned telecommunications procurement activities; plans for future financing; and telecommunications-related policy documents.
- Designing, developing and implementing a Policy Intervention Program supporting the creation of an enabling policy, institutional and regulatory environment conducive to private sector development and investment. Specific activities performed under this program are discussed below.

2.1.3 Policy Intervention Program

The Policy Intervention Program began in April 1994. The Program was designed by USAID to address real policy issues identified in the course of the CDI Telecommunications Project and the specific impediments to private sector development and investment in the SDSs. The Policy Interventions took the form of seminars, workshops, conferences, appropriate technology demonstrations, consultations, exchanges, and invitational travel to the U.S. and CEE countries.

Fifteen Policy Interventions were conducted in the U.S. and CEE countries. Topics included:

- The applications of various technologies in improving rural telecommunications.
- An overview of, and lessons learned from, the U.S. spectrum auction.
- Telecommunications support to the stock exchange, banking and financial services sector.
- The role of regulatory reform in improving competition in CEE countries.
- Creating a telecommunications infrastructure to support mass privatization.

More than 500 CEE government and industry officials participated in the Policy Intervention Program, discussing emerging technical and policy issues with more than 100 senior U.S. Government and industry experts. Appendix A lists the Policy Interventions conducted, their topics, locations, and the target audience.

2.2 Contract Performance

2.2.1 Current Core Activities

- Task 1 - Work Plan Preparation.
 - Task activities were performed on schedule. All requirements and objectives were fulfilled.
- Task 2 - U.S. Project Administrative Support.
 - Task activities were performed on schedule. All requirements and objectives were fulfilled.

- Task 3 - In-Country PM/COP Administrative Activities.
 - Task activities were performed on schedule. All requirements and objectives were fulfilled.
- Task 4 - Continuing Regional Office PM/COP Activities.
 - Task activities were performed on schedule. All requirements and objectives were fulfilled.
- Task 5 - Opportunity Development.
 - Task activities were performed on schedule. All requirements and objectives were fulfilled.
- Task 6 - Cooperation With Other USAID Assistance Implementors.
 - Task activities were performed on schedule. All requirements and objectives were fulfilled.
- Task 7 - Policy Intervention Program.
 - Task activities were performed on schedule. All requirements and objectives were fulfilled. See Appendix A for additional information.

2.2.2 Performance - Current Buy-Ins

- There were no active delivery orders under this contract.

2.2.3 Performance - Current Subcontracting Activities

- Subcontracting activities were performed on schedule. All requirements were fulfilled.

2.2.4 Statement of Work

- All requirements outlined in the revised Statement of Work were performed on schedule, with the exception of establishing CDI Project Offices in Prague and Budapest, as noted in previous project status reports.

2.2.5 Financial Report

<u>Line Item</u>	<u>Expenses Through 12/31</u>	<u>Budget</u>	<u>12/31 Balance</u>
Direct Labor	\$357,892	\$429,819	\$71,927
Travel & Subsistence	\$412,047	\$428,394	\$16,347
Special Consultants	\$221,261	\$252,213	\$30,952
Subcontractors	\$1,147,489	\$1,081,400	(\$66,089)
Other Direct Costs	\$229,986	\$282,037	\$52,051

2.3 Accomplishments

Appendix B provides project profiles and descriptions for several POs that were supported by the CDI Telecommunications Project. Case Number One and Case Number Two describe the experiences of several firms trying to set up an E-mail capability in Poland. The experiences of two companies licensed to create and operate telephone networks in provinces in rural Poland are detailed in Case Number Three. Case Number Four describes the experience of a company with a design for a country-wide multi-access radio network for rural Poland. Case Five discusses a Policy Intervention designed to introduce Code Division Multiple Access (CDMA) technologies and capabilities to senior Polish telecommunications officials.

2.4 Observations and Conclusions

The experience of the CDI Telecommunications Project has been that technical assistance was required consistently in two areas. Foreign firms, and some local ones as well, almost always needed help with: 1) licensing procedures; and 2) preparing Western business documentation (balance sheets, market studies, projections and business plans). Every telecommunications project was involved with a regulatory authority of some sort from beginning to the end. Firms needed approval to establish a telecommunications service, they needed agreement with state-owned agencies on revenue sharing and the authority to set and collect rates geared to inflation to make a profit. Projects needed to have a clear revenue stream supported by these agreements to obtain financing.

Financing needs for telecommunications projects also required sound business plans. CDI technical assistance provided to small and medium indigenous firms to develop this documentation filled this need on a case by case basis. The value added to U.S. firms assisted by the CDI was expertise in bridging the gap between western and regional business cultures. The technical specialization and experience of the Warsaw Project Office leveraged the resources of U.S. companies by direct assistance and by making the most of the time they applied to investigating potential opportunities.

In the case of Poland, the CTS Data Base enabled U.S. firms to acquire an in-depth understanding of the Polish telecommunications environment in a relatively short period of time, facilitating the development of highly focused marketing and business development strategies. In addition, the Policy Intervention Program enabled key CEE decision makers to discuss emerging technical, regulatory and policy issues affecting private sector development and investment with U.S. government and industry experts, as well as leading international authorities, and to establish long-term professional associations with U.S. telecommunications service providers.

Telecommunications projects, whether for telephone service, E-Mail or cable television, had to meet the usual tests of market size and the adequacy of expected revenues to cover equipment capital and operating costs. Developing adequate revenues for telecommunications projects in most CEE countries, however, was made more difficult by the need to include the government in the fee structure. Given the small markets, particularly for regional telephone or other systems, it was not possible to achieve profitable revenue levels if either 1) rates were unreasonably high because of government charges, or 2) services were offered at subsidy rates because the government saw political advantage in maintaining artificially low rates for telephone service.

3.0 LESSONS LEARNED

3.1 General

This chapter summarizes the experiences of the CDI Telecommunications Project and cites the lessons learned in implementing this innovative effort. All of the lessons learned are useful to the design of any future programs to support investment in CEE and the Newly Independent States. Some of the lessons point to changes that are easily accomplished in implementing future programs. Most, however, are lessons that were learned in working in the business environments in the various CEE countries. From these experiences it is easy to see the important role played by the CDI Telecommunications Project in reducing the difficulties encountered by U.S. and local firms trying to do business in "post-command economy" countries.

3.1.1 Financing Was a Critical Need

A primary assumption of the CDI Telecommunications Project was that financing was a critical element in attracting U.S. and other investment to CEE countries. While there were many potential sources of financing in place few, if any, were providing financing to the targeted ventures and enterprises. There were several reasons for the lack of financing for CEE telecommunications projects. One of the major reasons was the excessive foreign debt carried by most of the CEE countries and the skeptical view that many potential lenders had of the countries' ability to reduce the debt burden in the face of current economic conditions. Most countries were looking at diminishing tax bases and growing budget deficits. There was an increasing need to provide more public services in the absence of any significant increase in public revenues.

3.1.2 Licensing and Approval Processes Were Erratic

Western entrepreneurs and investors were accustomed to certainty and consistent adherence to regulations and procedures in their dealings with licensing authorities and regulatory agencies. Obtaining approvals at all levels of government in CEE countries was a much more confusing and uncertain process. One of the legacies of the previous regimes in CEE was an obsessive concern with rules and strict adherence to these rules. In the past, knowing "the system" and conforming to it provided a certain degree of security for the typical citizen. For others knowing the system and how to manipulate it was a profitable activity. The concern with rules is still pervasive, even after independence, but the system did not anticipate the need for the rules and procedures that were required to deal with the many investment and other business transactions that were being carried out in most CEE countries. Given the previous tendency to be governed by "the system", the lack of appropriate procedures for dealing with what should have been routine licensing and business related transactions created significant delays, and a certain amount of anxiety among government officials responsible for approving these transactions.

In this environment, then, investors, foreign and domestic, were confronted with a confusing array of advice and instructions on how to complete the various steps in, for example, forming a joint venture or initiating a project. Often, the potential joint venture partners were given conflicting advice by different officials in the same Ministry, or had to deal with the totally uncoordinated requirements of agencies at the national and local levels.

3.1.3 Basic Business Practices and Documentation Were Lacking

Potential joint venture partners had been put off by the difficulty of gaining reliable information on their prospective local partner. Most of this frustration stemmed from the incomplete or unorthodox nature of the information that was provided to outside investors. Because of the importance central planning placed upon meeting output quotas, most CEE enterprises had detailed information available on material inputs and production statistics. Typically, however, there had been little information available on labor inputs and other costs of production. Lack of adequate information on efficiency, and an apparent lack of concern with costs was worrisome to most investors, and casted enterprises and their managements in a worse light than some deserved. Investors new to Eastern Europe and unfamiliar with the legacies of central planning often did not get these perceptions and overlooked what were promising opportunities.

Assistance provided by the CDI Telecommunications Project was helpful in moving otherwise well-matched potential partners beyond the concern with poor cost and other management information. This was achieved by counseling potential investors on what they should expect in looking at the financial performance of a prospective partner. The CDI Telecommunications Project also fulfilled an important role in advising management of the local CEE firm of the expectations of potential investors and worked with management to develop typical performance reports.

3.1.4 Differences in Business Cultures Created Impediments

The limited experience of managers in the CEE countries with profit-driven operations and with western business practices were sources of misunderstanding in negotiating with western investors. Language differences and terminology both contributed to the difficulty experienced by both sides in communicating effectively. Frequently, discussions and negotiations were carried on through interpreters. Interpreters varied widely in their ability to interpret and, particularly, in their ability to translate business terminology including even relatively common terms such as "balance sheet", or "cost of production". Inaccurate translations of key phrases was often at the heart of serious misunderstandings between potential partners, because it sometimes happened that each side left the discussion table having reached agreement on what turned out to be totally different conditions.

The pace of negotiations was almost always a source of difficulty in dealings between U.S. investors and local partners. Western investors were generally confident of their position and eager to get on with the deal. Local partners typically were operating in an arena that was new to them and moved slowly out of caution and the need to buy time to review proposals thoroughly to be sure they understood what was being offered or asked. Uncertainty regarding the various regulations that might apply or the approvals required for some activities also prolonged the process, and added to the frustrations of western investors.

The important role that CDI telecommunications played in this process was to meet with both parties and verify that there were no problems created by misunderstanding or other language difficulties. There was a real need for this type of support and it made the difference in several instances in which projects were abandoned because of missed communications between partners and subsequently were put back on track through the intervention of CDI Telecommunications Project staff.

APPENDIX A

POLICY INTERVENTION PROGRAM

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This Appendix lists the Policy Interventions conducted both in CEE and the U.S. since the Policy Intervention Program began in 1994 through December 31, 1995.

APPENDIX A
POLICY INTERVENTION PROGRAM

Interventions Executed Since Receipt of TPO Direction

<u>Intervention</u>	<u>Date</u>	<u>Location</u>	<u>Audience</u>
VSAT Conference	May 4-5, 1994	Prague	Czech Ministry officials, PTT officials
Rural Telecommunications	June 6-10, 1994	McLean	Czech, Hungarian, and Macedonian telecom officials
Rural Telecommunications	October 24-28, 1994	McLean	Polish and Albanian telecom officials
Strategic Telecommunications	November 1, 1994	Washington	Senior Polish Ministry officials
Spectrum Auction Overview	December 4-7, 1994	Washington	Polish Ministry and radiocommunications officials
Financial Analysis, Forecasting and Business Planning	December 14-16, 1994	Warsaw	Polish telecom finance officials
Digital Wireless Communications: Auction Process Analysis	February 22, 1995	Warsaw	Polish telecom officials, independent operators, financial community members
Network Business Strategies, Technologies and Services	April 4-5, 1995	Budapest	MATAV, independent operators, potential users, regulators
Digital Wireless Communications: Auction process Lessons Learned and Strategy Formulation	April 19-20, 1995	Budapest	Independent operators regulators, MATAV, Radiocommunications Agency, Ministries of Privatization, Telecom, Finance

APPENDIX A
POLICY INTERVENTION PROGRAM (Cont'd)

<u>Intervention</u>	<u>Date</u>	<u>Location</u>	<u>Audience</u>
Telecommunications Applications in the Stock Exchange, Banking and Financial Services Sector	May 15-19, 1995	Washington Philadelphia New York	Members of stock exchanges, including senior management and brokers, independent brokers and operators, independent service providers (Poland)
CDMA: Technology Overview and Practical Applications	June 5-9, 1995	Los Angeles San Francisco	Polish Ministry officials, radio-communications officials
Telecommunications Applications in the Stock Exchange, Banking and Financial Services Sector	August 28 - September 1, 1995	Washington Philadelphia New York	Members of stock exchanges, including senior management and brokers, independent brokers and operators, independent service providers (Hungary)
Fairness in Competition: the Role of the Regulators	November 27-28, 1995	Budapest	Ministry officials, radio communications and antimonopoly officials (Hungary)
Fairness in Competition: the Role of the Regulators	November 30 - December 1, 1995	Warsaw	Ministry officials, radio communications and antimonopoly officials (Poland)
Creating a Telecommunications Infrastructure to Support Mass Privatization	December 5-6, 1995	Warsaw	Communications, privatization, and finance Ministries, local telephone operators

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APPENDIX B

TELECOMMUNICATIONS SECTOR CASE STUDIES

APPENDIX B

TELECOMMUNICATIONS SECTOR CASE STUDIES

Case Number One: E-Mail Project in Poland

OMG E-Mail COMNET -- COMNET is a joint venture between a Polish firm, Overseas Management Group (OMG), and a U.S. firm, Graphnet Inc. With support from the CDI Telecommunications Project Office, a license application was prepared, and approved. Investors were sought, and CDI advertised the opportunity to U.S. firms. The project made a valuable contribution to the telecommunications infrastructure in Poland. A letter of appreciation from OMG's owner commended the CDI telecommunications Project Office for its support in arranging important meetings with the Ministry of Communications, providing support in the development of a technical description of the project, and providing advice regarding business development matters. (See letters from OMG in Appendix C.)

Case Number Two: E-Mail Project in Poland

TESA is a small firm headquartered in Warsaw that, at the time of the Project initiation by the CDI Telecommunications Project Office, held the only private license to offer E-mail service in Poland. It had successfully operated its E-mail system in 1991, and had built up a loyal customer base of 400 to 500 subscribers. TESA had to cease operation at the end of 1991, due to financial difficulties.

An engineering review of TESA's past operational system and its proposed restart-up system showed that both were technically feasible and logical, and that the market for E-mail services in Poland appeared strong, based on the available data.

TESA's owner approached the CDI Telecommunications Project to help identify strategic investors who could bring the much needed capital to restart operations. The CDI Project Office sent a team of short term analysts to Poland to evaluate TESA from a technical and financial standpoint. The resulting 50-page Investment Memorandum provided specific information on TESA regarding legal and regulatory matters, market and sales data, technical feasibility, project management, and financial concerns. Availability of the TESA opportunity and the TESA Investment Memorandum was advertised in the Department of Commerce's publication, *Eastern Europe Looks for Partners*, and through the CDI Telecommunications Project mailing list of U.S. firms. One firm in particular showed strong interest in TESA and subsequently pursued a joint license with TESA's owner. The ultimate success of the venture was in the hands of the Polish bankruptcy courts until a decision was made to let the project move forward.

The TESA project provided a real opportunity for incremental improvement in the Polish telecommunications infrastructure (and commensurate improvement in a wide spectrum of business operations) while providing a potentially profitable investment opportunity for U.S. firms. Patience was an important lesson in this endeavor. TESA "died" several times during the course of our support - perseverance was required to prevail. TESA's president prepared a letter of appreciation to the CDI Telecommunications Project Office for our support.

Case Number Three: Rural Telecommunications Systems

RETEL Bialystok/TELEKOM Torun -- RETEL and Torun have licenses to create and operate telephone networks in provinces of rural Poland. The CDI telecommunications project sent a short term team to the headquarters of both operations to gather the information necessary to create acceptable business plans (their existing plans were inadequate for potential investor evaluation). Availability of the plans was subsequently advertised to potential U.S. investors, several of whom had indicated interest. A key lesson in the project was that Polish firms were seldom equipped to produce business plans to a level of sophistication that was necessary for U.S. firms to make an educated decision about investment. Additionally, technical "lessons learned" regarding the regulation of independent telephone operations provided the basis for policy support that was provided to the Polish Ministry of Communications.

Case Number Four: Multi-Access Radio Network for Rural Poland

MARSNET Co., Ltd. was a proposed country-wide multi-access radio network for rural Poland. A joint venture between a Polish partner (ETOB) and a U.S. partner (Eastern Trading Enterprises) was formed to create MARSNET. ETOB specialized in introducing computer systems, networks, and technology to the construction industry across Poland. They prepared their own software for the services they provided, and had experience in selling computer equipment in Poland and CIS countries, including sales of several hundred personal computers in Moscow and Kiev.

The joint venture applied for a license to build and operate a MARS Rural Radio System for Poland. They sought help from additional U.S. investors to provide capital and additional technical expertise. The CDI Telecommunications Project Office provided substantial technical support identifying and defining the technical parameters necessary to make this project opportunity a viable venture. Up front technical and business assistance was provided to help MARSNET prepare their license application. MARSNET was advertised to U.S. firms in the Department of Commerce publication, *Eastern Europe Looks for Partners*, and through the CDI Telecommunications Project database of U.S. firms. Two potential U.S. technology partners were found, and discussions were initiated between MARSNET and both firms. A third potential U.S. partner was identified who was able to give strong financial support to the project and further discussion took place after license approval.

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Additionally, Polish regulations required that a percentage of the equipment used for the project be manufactured (or assembled) in Poland. Three Polish companies were identified that were able to produce the equipment needed.

The success noted for this opportunity was our ability to provide technical definition to an initially unfocused opportunity, and our ability to support project viability through the license application process and identification of viable U.S. and Polish partners for the venture.

Case Number Five: Code Division Multiple Access (CDMA) Policy Intervention

The Polish Ministry of Communications began installing wireless technologies in selected areas of Poland in 1991. However, the Ministry had not begun implementing wireless technologies on a broader scale because of financial considerations and the need to upgrade existing networks. The relatively slow pace of integrating wireless technologies into the nation's infrastructure continued for a number of years.

In March, 1995 the Polish Radiocommunications Agency (PAR) invited Dr. William C. Lee, author and chief scientist of Radio Telephone Networks and Systems for Airtouch Communications, to give a presentation on the comparative aspects and considerations between analog and digital cellular systems, as part of a two-day seminar on wireless technologies. Dr. Lee's briefing would enable PAR officials to better assess the strengths and weaknesses of the two wireless systems, and to purchase wireless technologies most appropriate for the Polish telecommunications environment. The CDI Project Office was asked by PAR to help arrange this seminar.

The CDI Project Manager/Chief of Party (PM/COP), a former colleague of Dr. Lee, suggested to PAR that a follow-up Policy Intervention be conducted in the U.S. for a delegation of senior PAR and Polish Ministry officials. This Intervention would highlight the advantages and applications of CDMA wireless technologies discussed during Dr. Lee's briefing; give the officials an opportunity to witness a live demonstration of CDMA technologies; and to meet with U.S. companies developing CDMA-based systems.

The CDI Project Office developed the one-week Intervention in Los Angeles and San Francisco, with support from Home Office staff. The Intervention was conducted in June, 1995, and was well received by all attendees. The most significant benefit of the Intervention for U.S. firms was the opportunity to engage in direct, face-to-face dialogues with their Polish counterparts; to demonstrate the advantages of CDMA technology; and to develop mutually beneficial professional associations. As a result, the Polish officials have become favorably disposed towards purchasing these systems from U.S. firms, and would more likely consider purchasing CDMA wireless technologies as part of the country's future infrastructure development plans. (See letters of appreciation from Qualcomm, the Polish Ministry of Posts and Telecommunications, and O.M. Investment in Appendix C.)

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APPENDIX C
LETTERS OF APPRECIATION

GLOBAL USA, INC.

WASHINGTON, D.C.
LITTLE ROCK, ARKANSAS

September 16, 1995

Mr. Thomas Walsh
USAID
Project Manager
22 Fort Wola Str.
00-961 Warsaw
POLAND

Dear Tom:

Thank you for making time with me during my recent visit to Warsaw. Your schedule is always busy and I appreciate your consideration.

During this past visit, our client, Southwestern Bell Corporation (SBC), and I made strong progress in better understanding the telecommunications market in Poland and entered into more serious discussions with possible Polish partners. Your candid insights helped significantly in developing this better understanding.

I hope that we can somehow reciprocate your kindness and please accept my deepest personal regards.

I remain,

Very truly yours,



Dr. Bo Denysyk
Senior Vice President

SENT BY:

6-15-95 : 22:26 :

6502500-

714 651 8298;# 1/ 1



6455 Lusk Blvd, San Diego, California 92121-2779 ☐ (619) 597-1121 ☐ Fax: (619) 598-2500

Via facsimile: 011 4822 37 4874

June 13, 1995

Mr. Thomas Walsh
USAID
22, Fort Wola Str.
00-961 Warsaw, Poland

Dear Mr. Walsh:

I hope you had a safe and enjoyable return trip to Warsaw. Thank you again for all of your efforts in organizing the Polish delegation's trip to San Diego. The meetings were very beneficial to us and gave us an excellent opportunity to meet with the key telecommunications officials in Poland in one setting. I hope that we were able to provide you and the delegates with the best information possible on our CDMA technology.

I remain convinced that CDMA is the best wireless solution for Poland as it works to deploy world class telecommunications services into the next century. Our QCTel wireless local loop products would provide the citizens of Poland with one of the best systems in Europe.

We are in the process of preparing a response to TTSA's RFP for a wireless local loop pilot system. In the meantime, if you have any thoughts or insights on our efforts in Poland, we would obviously appreciate having them to consider.

Thank you again for your time and please feel free to contact me at any time.

Sincerely,

A handwritten signature in dark ink, appearing to read "Harvey P. White".

Harvey P. White
President & Chief Operating Officer

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Director of Department fo

MINISTRY OF POSTS AND TELECOMMUNICATIONS PL. MALACHOWSKIEGO 2 00-940 WARSAW, POLAND	FAX. 48-22 26 73 66 TEL. 48-22 26 65 56 TELEX. 81 30 01
DATE: 2 June 1995 REF: DWZ-084-US-27/1954/BN/95	
TO: Mr Thomas Walsh Capital Development Initiatives (CDI) UNITED STATES AGENCY FOR INTERNATIONAL DEVELOPMENT Aleje Jerozolimskie 56C 00-803 Warsaw, Poland Fax: 36 80 88	
FROM: Jerzy Babski Director of Department for Foreign Cooperation	

Dear Mr Walsh:

On behalf of Minister of Posts and Telecommunications, Prof. Andrzej Zieliński, I would like to thank you sincerely for conveying to the Minister Mr Joseph J. Tavormina's personal invitation to visit *Noller Communications* in Petaluma

I have informed Mr Tavormina that the Minister was sorry not to be able to follow his invitation because, due to his other urgent commitments, the Minister had to call off his trip to California on June'95.

Minister Andrzej Zieliński hopes there will be another suitable occasion to visit the *Noller Communications* company in the near future (maybe in autumn current year).

Sincerely,


Jerzy Babski

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O.M. INVESTMENT

ul. Arkońska 11
80-387 Gdańsk

S T R O N A T Y T U Ł O W A F A K S U

DATA: 95-06-18

GODZINA: 10:29 PM

DO: Thomas Walsh

TEL: 022 379724

US AID

FAX: 022 374874

OD: Tomasz Depczyński

TEL: 058 524896

O.M. Investment

FAX: 058 524396

Liczba stron łącznie ze stroną tytułową: 1

Wiadomość

Dear Thomas,

Thank you so much for the marvelous week in California. It was for me very interesting trip, at least from two reasons, first - to know modern American telecommunications technologies, and second - to know California, country, towns, people.

The trip I will long remember with appreciation.

If I can do something for you do not hesitate to contact me.

Yours sincerely,

Tomasz Depczyński

BEST AVAILABLE COPY



P.O. BOX 400001
HUNTSVILLE, ALABAMA 35815-1501
TEL: 205-881-5759
FAX: 205-881-2202

April 7, 1993

BOOZE, ALLEN & HAMILTON
8283 Greensboro Drive
McLean, Virginia 22102

Attention: Mr. Charles Givens
Project Manager

Dear Sir:

As you are no doubt aware, ITEC INCORPORATED has submitted an application to the U.S. AID agency for a Capital Development Initiative Grant, which appears to be progressing well and we are very optimistic regarding a positive award.

I would be remiss indeed if I did not highlight to you that our application position has by no small measure been greatly supported by a member of your staff, Mr. Eric Riddleberger. This gentleman's understanding of the fundamental basics of our proposed project and his forthright attitude towards clarifying our submission can not be understated.

I would appreciate your indulgence to sincerely thank Mr. Riddleberger for his very positive efforts and actions related to our project.

We at ITEC INCORPORATED are very thankful and grateful that BOOZE, ALLEN & HAMILTON employ resources of his caliber.

Respectfully,

Robert C. Nelles
Vice President
International Sales

RCN/djb

cc: C. Robinson - Coopers & Lybrand

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**Overseas Management Group**

00-855 Warszawa, ul. Grzybowska 37a, Poland

Tel: (48-22) 247006, Fax: (48-22) 249371, Komertel: (48) 39120485

Mr. Alexander L. Karpinski
USAID
Capital Development Initiative
Telecommunications Project Office
22 Fort Wola Street
00-961 Warsaw, Poland

Dear Mr. Karpinski,

As you know, Graphnet was granted a license last week. We have received official permission to build a nationwide network which will provide "store and forward" services, including e-mail and fax-to-fax capabilities, of course. I'll pick up the license within the next few days and provide you with the English translation as soon as possible.

The purpose of my letter, however, is to thank you again for your assistance. Your generous efforts have given this project a wonderful start and much-needed credibility, especially by organizing and participating in the meetings with Deputy Ministers Depczynski and Szuder. It was so much easier to overcome the typical obstacles with your support.

I must also commend you on your management ability. Your office is staffed with highly experienced and competent people. Mr. Grzegorz Wisniewski's wide technical knowledge of Poland's telecommunications infrastructure helped us enormously in preparing for the technical description of the project. As a result, my meetings with the Ministry's Technical Department yielded productive discussions regarding the scope of our license.

It is very sad that Greg is no longer among us. He dedicated his life to the telecommunications industry, and I'm sure that he would have been very satisfied with our success.

I must also mention Professor Marian Dabrowski. In addition to his technical expertise, he has a very thorough understanding of the Ministry's administration procedures and management. He generously guided me through my negotiations with valuable advice on the potential barriers facing the project.

With such fundamental contributions, you deserve the right to claim this success as your own. I regret that the new policy does not allow any further direct support for this particular project. But considering that, I can appreciate my good fortune even more.

With best regards,

A handwritten signature in dark ink, appearing to be 'J. Depczynski', is written over the typed name.

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3



OVERSEAS MANAGEMENT GROUP, INC.

861 Manhattan Avenue, Suite 20
Brooklyn, NY 11222
Telephone: 718 389-2277
Fax: 718 389-3075
Telex: 7607700

May 21, 1993

Mr. Alexander L. Karpinski
USAID
Capital Development Initiative
Telecommunications Project Office
22 Fort Wola Street
00-961 Warsaw, Poland

Dear Mr. Karpinski,

I would like to express my sincere gratitude for your assistance in our E-mail project. Especially, your help in organizing meetings with Deputy Minister Depczynski and Szuder has significantly contributed to our project.

As you know the Polish Postal System (PPS) is ready to enter into a joint venture with our company. Currently, the crucial obstacle left to create such a joint venture is the legal requirement for PPS to receive a permission from the Ministry of Telecommunication for entering into this joint venture. With no doubts, your participation in the meetings with the Deputy Minister Depczynski and Szuder has put much of credibility into this project and may bring significant impact to the final decision of the Ministry. I just can't say how much I appreciate it.

I am also very grateful for publishing our MARS project in March U.S. Department of Commerce issue of 'Eastern Europe Looks for Partners'. We have already received few inquiries from American companies which are interested in financing and providing the telecommunication equipment and technical solutions.

Having this opportunity I would like to inform you that following your request, we have seriously studied Section 599 of the Foreign Operations, Export Financing, and Related Appropriations Act, 1993 which we had received from you. With the full knowledge and understanding of above, I assure you that we remain totally in compliance with the Section 599.

REST AVAILABLE COPY

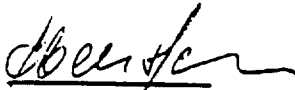
4

Mr. Alexander L. Karpinski
USAID
PAGE 2

Again, I thank you for the support you have provided to us over the last two months. If we finalize our project much of the credit for our success will result from your contribution.

Wishing you a lot of success in Poland, I look forward to seeing you again.

With best regards,


Max Ebenstein
President

me/ag

BEST AVAILABLE COPY

BEST AVAILABLE COPY

USAID CAPITAL DEVELOPMENT INITIATIVE TELECOMMUNICATIONS PROJECT OFFICE

12, FORT WOLA STR. 00-061 WARSAW, POLAND

tel. (48-22) 37 97 26 fax (48-22) 37 48 74

May 24, 1993

Mr. Maksymilian Ebenstein
President
Overseas Management Group, Inc.
861 Manhattan Avenue, Suite 20
Brooklyn, NY 11222
Fax: 718-389-3075

Dear Mr. Ebenstein,

I received your complimentary letter of May 21, 1993 and wanted you to know how much I appreciated receiving it.

The help that you have received is a part of our normal duties in the AID-Capital Development Initiative, Telecommunications Project. But it really is good to know that you feel that it is valuable to you at this time. It shows that the CDI concept is a good one for Poland at this time and that we are implementing it as it was intended.

Thank you very much for taking the time to let us know that.

I'm looking forward to continuing to provide help and support as your projects continue.

Sincerely,



Alexander Karpinski
Project Manager

Warszawa, dnia 24 maja 1993

P.T.Alexander Karpinski
USAID-CDI Warszawa
Project Manager

Szanowny Panie,

Serdecznie dziękuję Panu i Pana współpracownikom, za pomoc, przygotowanie i całościowe opracowanie programu naprawy firmy "TESA". Ten 50-cio stronicowy materiał, rozestany w wielu tysiącach egzemplarzy do potencjalnych inwestorów w USA, przyniósł efekt w postaci zainteresowania działalnością naszej spółki, co pozwoliło naszym wierzycielom mieć nadzieję, że cały projekt ma szansę powodzenia, o ile wykażą cierpliwość i chęć dalszej konstruktywnej współpracy.

Ja sam, oraz moi współpracownicy, serdecznie dziękujemy Panu za częste konsultacje i profesjonalną pomoc w kłopotach i problemach naszej firmy. Fakt, że praktycznie zawsze można się zwrócić do Pana ze swoimi problemami, że Pan i Pana współpracownicy znajdują czas na wysłuchanie i życzliwą pomoc, pozwolił nam bardzo optymistycznie spojrzeć w przyszłość i pomimo ogromnych kłopotów nie załamać się.

Myślę, że życzliwe i profesjonalne zainteresowanie się Pana Agencji problemami tutejszej telekomunikacji oraz zebrane informacje pozwolą amerykańskim inwestorom dość pewnie wejść na bardzo zacofany rynek, spuściznę wszechładnego monopolu państwa. Liczę, że inwestycje w polską telekomunikację, jej rozwój, przyniosą korzyści i inwestorom i naszemu krajowi.

Jeszcze raz serdecznie dziękuję Panu
za wszelką pomoc i życzliwość
Z poważaniem

Wojciech Majda
Prezes Zarządu



Literal English translation of the letter attached (in Polish)

Warsaw, May 24 1993

P.T.(Full of Titles) Alexander Karpinski
USAID-CDI WARSAW
Project Manager

Dear Sir,

I would like to thank you and your colleagues for your help and for preparing the entire project for the improvement of TESA. This 50-page document sent to thousands of potential investors in the U.S. brought positive results in the form of interest in the activity of our company. This gave hope to our creditors that the project had chances of success providing that they have enough patience and willingness for further constructive cooperation.

I myself and my colleagues would like to thank you cordially for your frequent consultations and professional help when our company was in trouble. The fact that we could practically always turn to you with our problems and you and your team found time to listen to us and kindly help let us look into the future more optimistically and, despite the terrible problems, we didn't personally break down.

I think that the kind and professional interest of your Agency in problems of Polish telecommunications and also the information you gained here would enable American investors to enter firmly this under-developed market - the inheritance of the all powerful monopolistic State. I do believe that investments in development of Polish telecommunications will bring benefits to both, U.S.investors and to our country.

Once more thank you very much for your help and kindness.

Sincerely,

Wojciech Majda
Chairman of the Board

FACSIMILE MESSAGE
InterDigital Communications Corporation

Russell K. Pells

214-618-7397 Facsimile 214-618-7377

TO: Mr. Alexander L. Karpinski Fax No. 011-48-22-37-48-74
Mr. Grzegorz Wisniewski
Prof. Marian Dabrowski
USAID Capital Development Initiative
Telecommunications Project Office

FROM: Russ Pells Fax Number: 214-618-7377
DATE: June 16, 1993 # of Pages 1

I have completed a very long trip in Central Europe. I am now in the process of catching up with activities here and following up on all my efforts in Europe from this May/June trip. My backlog is staggering.

First, I would like to thank all of you for your support and guidance while I was in Warszawa last month. The trip was most beneficial to InterDigital and to me. Rarely have I had the opportunity to gain so much insight in such a short period of time; and yet, I recognize that I have only just begun. I thank you again for being such an important part of my visit and learning process.

I am now working with our staff and our new VP/General Manager to determine our courses of action and strategy for the market in Poland. We have a number of ideas which are under discussion. I will be in touch shortly about this subject.

I will be following up on this message after I complete a special training program next week at our corporate headquarter in King of Prussia, PA.

I look forward to see you in Warszawa soon.

BEST AVAILABLE COPY



TO:

NAME: Alex Karpinski
 FIRM OR COMPANY: USAID Capital Development Initiative
 LOCATION: Warsaw, Poland
 OFFICE PHONE NUMBER: 011 48 22 379724
 FAX NUMBER: 011 48 22 374874

FROM: Susanne Roy

TOTAL NUMBER OF SHEETS, INCLUDING COVER IS: 2

DATE: 5/25/93 TIME: 2:30p JOB NUMBER: 903

COMMENTS: Alex, we truly appreciated the
time you spent with us and the insights
you provided during our meetings, ^{and conversations} with you
over the past 3 months. Please give our
regards to your colleague, Greg, and we
hope to see you again, in Warsaw, at the end
of June.

Thanks Again,
Sue

1725 Jefferson Davis Highway, suite 1010, Arlington, Virginia 22202

(703) 413-4111

FAX: (703) 413-4117

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May 25, 1993

Mr. Alexander L. Karpinski
Project Manager,
Capitol Development Initiative, US A.I.D.
22 Fort Wola Street
00-961 Warsaw, Poland

Dear Mr. Karpinski,

I wish to thank you on behalf of Gayla Salinas and myself, for the assistance you provided during our fact-finding tour of Central Europe.

As you know, ADEENA Corporation is committed to developing partnerships with both public and private telecommunications institutions of Poland and other European countries. We feel that the services we have to offer are a critical necessity in this period of technological development for these countries.

The assistance we have received from US A.I.D., and from yourself in particular, has been truly remarkable. Many of the contacts we made were a direct result of information gained from your office. Specifically, our very productive discussions with the Polish Telecommunications Foundation (PTF) and the International Telecommunications Union (ITU) were made possible through your introductions.

I'm sure that our reliance on the US A.I.D. office will continue to grow as our business interests in Central Europe materialize. We certainly look forward to working with you over the coming years.

Sincerely,

A handwritten signature in dark ink, appearing to read "SPR", is written over a horizontal line.

Susanne P. Roy
General Manager

**PAŃSTWOWA INSPEKCJA TELEKOMUNIKACYJNA
GŁÓWNY INSPEKTORAT**

02-691 Warszawa, ul. Obrzeźna 7
tel. 47-90-94, 47-97-95; telefax 47-91-01

Konto bankowe: NBP O/Okr. W-wa, Pl. Powstańców 4 nr 1052-6350-223-1

PAŃSTWOWA INSPEKCJA**PIT[®]**
TELEKOMUNIKACYJNA

L.dz.GI/ 267 1812 / 93

Warszawa, 04.09.93

USAID Capital Development
Initiative Telecommunications
Project Office
fax 37 48 74

Mr. Alexander I. Karpiński
Project Manager
P.O. Marian Dąbrowski
Senior Consultant

Dear Sirs,

With reference to our meeting on September 2nd we would like to present you a programme of cooperation on subjects we are interested in:

1. Organization and law aspects of the USA telecommunications as far as the inspection and control functions are concerned:
 - telecommunication development policy in the USA,
 - operation of the government institutions and bodies; its functions and competences,
 - the licence conditions for the operators and using the proper standards,
 - tariffs, metering and billing systems,
 - place and function of the proper telecommunications inspection.

Proposed way of the cooperation: study visits for a group of PIT specialists in some of the USA institutions and bodies.

2. Operation of the inspection & control institutions in the USA telecommunication:
 - duties, functions, power,
 - human resources development,
 - controlling the operators according to the licence conditions.

Way of the cooperation: as above.

3. Telecommunication management network systems in the USA and project of the PIT access the management network system in Poland, specially for the traffic monitoring.

Way of the cooperation: as above plus research - project work by the American and PIT specialists team.

4. Models and methods for inspection and control in the network systems:

~~2~~ -

- define the tools,
and realization of the automatic measurement system for the
remote test of the service quality in the Polish
telecommunication, by PIT.

Way of the cooperation: research - project work by the American
and PIT specialists team plus purchase the software and hardware.

5. Data base system for the telecommunication media registration
and for the technical standards:

- project and realization by means of the computer network.
- purchase and installation the software and hardware.

Way of the cooperation: as above.

6. Project, purchase and installation the programme to analyze
the network design and to symulate traffic and management on
various network levels: local, intercity, international.

Way of the cooperation: as above.

Hoping you consider our propositions in the near future, we
remain

Yours faithfully

GŁÓWNY INSPEKTOR
[Signature]
Dr inż. Władysław Grahowski

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9/6/93

Introduction

The State Telecommunications Inspectorate (PIT) is a Minister's body set up under the Telecommunications Act (NOV 1990).

PIT operates basing on the Telecommunications Minister Regulations (Oct 1991). There are 10 Divisions (Gdańsk, Katowice, Kraków, Lublin, Łódź, Olsztyn, Poznań, Szczecin, Warszawa and Wrocław) under the Main Inspectorate of PIT in Warsaw.

The State Telecom. Inspectorate :

- controls cable networks, lines, and telecom. network in collaboration with the State Radiocommunications Agency (PAR),
- finds the causes against the licence conditions,
- advises the Minister of Telecom. on withdraw licences,
- finds telecom. systems, equipment, cables which are installed without type approvals,
- controls terms of type approvals and marks on the telecom. terminals,
- advises the Minister on withdraw type approvals,
- controls the operator taxes duties,
- analyses and gives opinions to Minister about operation of telecom. network in Poland,
- makes administration orders according to its competence.



14th September 1993

W/DWM 471/93

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Mr Alex Karpinsky
Manager
USAID Capital Development Initiative
Telecommunications Project Office
22, Fort Wola Str.
00-961 Warsaw
Poland

Dear Sir,

These are proposals to aid programme which we ask you to consider:

Frequency Management and Allocations

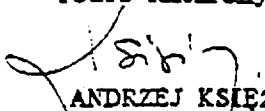
Scope:

- * international agreements for usage of frequency bands and public wireless services,
- * electromagnetic compatibility,
- * charging for bands usage - formulas, policy,
- * organization of the regulatory body - scope of regulations, dependence of the civil law.
- * assistance on development of computer data base for frequency management and allocations planning.

Methods of the assistance:

1. Seminars (3 to 5 days) for 30 - 40 people from MPT and PAR. Items should be extension of the previous seminar held in Warsaw, provided by AID (Warren Clark) and other European countries. Focus shall be made on advantage of the US strategy against the West European ones.
2. One month study project in Poland for PAR experts assisted by US expert (preferably by Booz Allen and FCC).
3. Training of the 3 - 5 PAR experts in FCC data base center for two weeks.

Yours faithfully,


ANDRZEJ KSIEŻNY

Director of Frequency Coordination
and International Cooperation Dept.